

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Boston Edison Company)))	D.T.E. 00-82
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SETTLEMENT AGREEMENT

Boston Edison Company (the “Company” or “Boston Edison”) and the Attorney General of Massachusetts (the “Attorney General”) (collectively, the “Settling Parties”) hereby agree, subject to approval by the Department of Telecommunications and Energy (the “Department”), to resolve certain issues relating to the above-captioned proceeding.

ARTICLE 1

INTRODUCTION

- 1.1 On July 8, 1997, the Attorney General, Boston Edison and other interested parties submitted a restructuring settlement agreement (the “Restructuring Settlement”) for approval by the Department. Subsequent to the enactment of the Electric Restructuring Act, Chapter 164 of the Acts of 1997, on January 28, 1998, the Department determined that the Restructuring Settlement is consistent with or substantially complies with the provisions of the Restructuring Act. Boston Edison Company, D.P.U./D.T.E. 96-23 (1998).
- 1.2 On November 2, 2000, the Company filed its third reconciliation filing with the Department, pursuant to the approved Restructuring Settlement (the “Filing”). The Filing also included tariffs seeking Department approval of charges for

- Standard Offer Service, Default Service, Transmission Service, Demand Side Management, Renewables and Distribution Service for effect January 1, 2001.
- 1.3 On December 22, 2000, tariffs implementing new charges were allowed by the Department.
- 1.4 On April 13, 2001, the Company filed supplemental testimony and exhibits to update the Filing to reflect actual data through December 31, 2000.
- 1.5 On July 10, 2001, the Company filed additional supplemental testimony and exhibits to update the Filing to reflect changes incorporating the requirements of the Department's Order in Boston Edison Company, D.T.E. 99-107-A (Phase II) (2001).
- 1.6 On various dates, the Company filed responses to information requests issued by the Department and the Attorney General concerning the Company's Filing and related updates thereto. A listing of all exhibits filed in this proceeding, including all responses to information requests, is attached hereto as Appendix A.
- 1.7 This Settlement Agreement is intended to resolve issues relating to the reconciliation of costs and revenues for the years 1998, 1999 and 2000 as follows:

ARTICLE 2

TERMS OF AGREEMENT

- 2.1 The Settling Parties agree that the amount of the reconciliation of Transition Charge revenues and costs for the years 1998, 1999 and 2000 shall be as set forth in Exhibit BEC-BKR-1 (Settlement) and Exhibit BEC-BKR-2 (Settlement), attached hereto and incorporated by reference herein.

- 2.2 The Settling Parties agree that the reconciliation of Transition Charge revenues and costs for the years 1998, 1999 and 2000 removes the proposed Distribution Revenue Loss Adjustment set forth in Exhibit BEC-BKR-2, page 11 of the Filing.
- 2.3 The Settling Parties agree that, in order to resolve all disputes about the recovery of Transition Charge costs and in accordance with Exhibit BEC-BKR-1 (Settlement), the reconciliation of Transition Charge revenues and costs for the years 1998, 1999 and 2000 shall reduce the total level of recoverable Transition Charge costs by \$2.0 million below the level set forth in the Filing, as supplemented (in addition to the adjustment set forth in Paragraph 2.2, supra).
- 2.4 The Settling Parties agree that the reconciliation of Transition Charge revenues shall be performed in accordance with the Company's proposal as set forth in the Filing and explained in the November 2, 2000 testimony of Bryant K. Robinson (Exh. BEC-BKR); provided that, each year beginning January 1, 2002, the Company shall provide for an adjustment to the Transition Charge for each rate class whose rates are designed to recover the full Transition Charge, to ensure that the reconciliation of the Transition Charge maintains a uniform recovery of the Transition Charge from the Company's rate classes. The calculation of the Transition Charge adjustment for each class for the year 2002 is set forth in Exhibit BEC-1 (Settlement), attached hereto and incorporated herein. A similar methodology shall be employed in succeeding years whereby a Transition Charge adjustment for each class will be calculated based upon the reconciliation of actual versus design Transition Charge revenues from prior periods. To the extent that individual rate class Transition Charge adjustments for a given year result in

a net over- or under-collection of Transition Charge revenues, compensating adjustments will be made to the Transition Charge calculation. For illustrative purposes, such adjustments are shown in Columns P and Q of page 4 of Exhibit BEC-BKR-1 (Settlement).¹

2.5 The Settling Parties agree that the reconciliation methodology described in Paragraph 2.4, supra, is intended to be consistent with and substantially comply with the Restructuring Act and the Restructuring Settlement. The Restructuring Settlement provides for a “fully reconciling” Transition Charge that will permit the Company to recover all of its stranded costs. See, e.g., Restructuring Settlement, ¶¶ I.B.1.(c); I.B.2.(f); I.B.4; V.C.5. The manner in which Transition Charge revenues are reconciled pursuant to Paragraph 2.4 will give effect to those provisions of the Restructuring Settlement by providing for a more precise accounting of revenues received by customers and take into account rate-design differences between and among customer classes.

2.6 The Settling Parties agree that, in order to implement the terms of this Settlement Agreement, the Company’s Transition Cost Adjustment tariff shall be revised with the Company’s next reconciliation filing, as set forth in Exhibit BEC-2 (Settlement). It is the intent of the reconciliation methodology set forth in Paragraph 2.4 that, on a Company-wide basis, Transition Charge revenues will be fully reconciled with actual revenues received so that, in the aggregate, customers

¹ The adjustments of \$539,000 shown on page 4 of Exhibit BEC-BKR-1 (Settlement) are based on the calculations contained in Exhibit BEC-1 (Settlement). The remainder of the adjustments shown on Columns P and Q are for illustrative purposes, only, and do not represent projections of the future adjustments.

pay, and the Company receives, no more and no less than the approved level of Transition Charge costs.

ARTICLE 3

CONDITIONS

- 3.1 This Settlement Agreement shall not be deemed in any respect to constitute an admission by any party that any allegation or contention in this proceeding is true or false. Except as specified herein, the entry of an order by the Department approving this Settlement Agreement shall not in any respect constitute a determination by the Department as to the merits of any other issue raised in this proceeding.
- 3.2 The making of this Settlement Agreement establishes no principles and shall not be deemed to foreclose any party from making any contention in any future proceedings or investigation, except as to those issues and proceedings that are stated herein as being resolved and terminated by approval of this Settlement Agreement.
- 3.3 This Settlement Agreement is the product of settlement negotiations. The Settling Parties agree that the content of those negotiations (including work papers, documents, etc., produced in connection therewith) are confidential, that all offers of settlement are without prejudice to the position of any party or participant presenting such offer or participating in such discussion, and that the content of those negotiations are not to be used in any manner with these or other proceedings involving one or more of the parties to this Settlement, or otherwise.

- 3.4 The provisions of this Settlement Agreement are not severable. This Settlement Agreement is conditioned on its approval in full by the Department.
- 3.5 If the Department does not approve the Settlement Agreement in its entirety by November 16, 2001, it shall be deemed to be withdrawn and shall not constitute a part of the record in any proceeding or used for any other purpose.
- 3.6 The Department shall have continuing jurisdiction to enforce the terms of this Settlement Agreement.

The signatories listed below represent that they are authorized on behalf of their principals to enter into this Settlement Agreement.

BOSTON EDISON COMPANY

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October 19, 2001

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